

ARTICLE APPEARED
ON PAGE 6WALL STREET JOURNAL
22 May 1984

House Panel Seeks Justice, SEC Records As Probe of Rewald-CIA Case Is Launched

By JONATHAN KWITNY

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The House Committee on Energy and Commerce has begun an investigation into the government's handling of the case of accused investment fraud artist Ronald Rewald.

Mr. Rewald's connections to the Central Intelligence Agency were the subject of a page one story in The Wall Street Journal April 18; the article provoked the congressional investigation, a committee spokesman said.

Rep. John Dingell (D., Mich.), chairman of the committee's oversight panel, wrote last Thursday to Attorney General William French Smith and John Shad, chairman of the Securities and Exchange Commission, announcing the inquiry and requesting records and information about the case by the end of May.

As reported in April, Mr. Rewald let the CIA use his investment firm of Bishop, Baldwin, Rewald, Dillingham & Wong as a front for CIA spying operations. Also, Mr. Rewald himself spied on foreigners at the CIA's request and reported his findings to the CIA. Bishop Baldwin took in a reported \$23 million in investment accounts before going into bankruptcy proceedings last August with few apparent assets, stranding hundreds of investors.

CIA Connections

Mr. Rewald lured accounts by publicly flaunting his CIA connections and by making numerous false statements, such as that his accounts were insured by the Federal Deposit Insurance Corp. In papers filed in his defense in federal district court, Mr. Rewald has conceded making false statements, but argued that he did so on the CIA's instructions to provide a more effective cover.

Documents he provided to the court, along with cartons of other records from his company, have been seized by the CIA on national security grounds. Also, federal Judge Martin Pence, at the CIA's request, has issued a "gag" order prohibiting anyone connected with the case from discussing the CIA angle.

Many victims of Bishop Baldwin's collapse have hired noted attorney Melvin Belli and have sued the CIA for their losses. Mr. Rewald himself has joined the suit as a plaintiff, claiming the CIA deserted him in violation of its employment promises.

In his letter to Mr. Smith, Mr. Dingell cited the Journal's report that the CIA had delayed or suspended an Internal Revenue Service investigation of Mr. Rewald, appar-

ently prolonging the fraud. Mr. Dingell wrote, "If true, this would appear to make the CIA secondarily liable as an aider and abettor of Rewald's alleged fraud."

Rep. Dingell asked Mr. Smith to turn over the Justice Department's records about the episode, "and advise whether any charges are being pursued against the CIA relative thereto in light of the ongoing fraud at Bishop Baldwin."

Saying he wanted "a clear picture of . . . the extent or adequacy of the department's investigations," Mr. Dingell wrote that his preliminary inquiry, begun April 26, disclosed "no indication of any criminal charges having been filed by the Department of Justice." He asked for "all memoranda, analyses, comments, recommendations or other documents prepared by department personnel concerning this matter."

A List of Nine Items

Rep. Dingell asked Mr. Shad to respond to a list of nine items, including "Whether there have ever been any other instances where the CIA used registration under the Investment Advisers Act of 1940 (Mr. Rewald was registered under the act) or any other statute as a cover for its operations and its failure to supervise its operations resulted in violations of the federal securities laws."

As an example, Rep. Dingell cited the case of Page Airways, in which a bribery investigation begun by the SEC in 1978 was called off for national security reasons. He asked if Mr. Shad was "aware of any CIA operations being run currently under cover of the Advisers Act or any other act."

Mr. Dingell's letter disclosed that John

Fedders, who heads the SEC's enforcement division, and Phillip D. Parker, branch chief for enforcement, briefed the subcommittee staff April 30. But the letter requested extensive new information about the case.

An SEC civil fraud complaint led to the CIA's seizure of records and Judge Pence's gag order. Judge Pence ruled that Bishop Baldwin was a fraud, and enjoined it and Mr. Rewald from continuing in business. Mr. Rewald also faces criminal fraud charges in Hawaii state court. Bail was set at an unprecedented \$10 million, and he was in jail until bail was lowered and he was released in April.

Separately, it has been learned that Theodore Greenberg, assistant U.S. Attorney for the Northern District of Virginia, where the CIA is based, has flown to Hawaii to help supervise the handling of a federal grand jury investigation into the affair. Mr. Greenberg, who has experience prosecuting large fraud cases, wasn't available for comment yesterday.

It was previously reported that the Hawaii U.S. Attorney's office, which would normally prosecute the case, had assigned it to John Peyton, who had joined that office just after the Rewald firm's collapse. Previously, Mr. Peyton had served as chief of the litigation section of the CIA at its Langley, Va., headquarters. He has described this as "pure, utter coincidence."